

Message Text

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ORIGIN EUR-12

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IGA-02 CIAE-00 INR-07 NSAE-00 L-03 MC-02 OMB-01
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DRAFTED BY EUR/WE:JALIMPRECHT:JL
APPROVED BY EUR/WE:MCLISSFELT
PM SGEIS
TREASURY CCROSSWHITE
-----078764 270120Z /70
R 261943Z AUG 77
FM SECSTATE WASHDC
TO AMEMBASSY MADRID

C O N F I D E N T I A L STATE 204491

E.O. 11652: GDS

TAGS: MARR, SP

SUBJECT: 120 MILLION DOLLAR FMS LOAN AGREEMENT

1. THE FOLLOWING LETTER FROM TREASURY TO SUB-DIRECTOR
GENERAL DE LA FUENTE OF THE FINANCE MINISTRY HAS BEEN
SENT TO THE SPANISH EMBASSY HERE FOR FORWARDING TO MADRID.
EMBASSY SHOULD STRESS TO THE FOREIGN MINISTRY THAT TREASURY
HAS ACCOMMODATED 10 OF THE 11 POINTS MADE BY THE SPANISH
IN THEIR OBSERVATIONS PAPER AND CANNOT GO ANY FURTHER. SINCE
THE STATUTORY AUTHORITY FOR MAKING THIS LOAN EXPIRES
SEPTEMBER 30, 1977, IT IS ESSENTIAL THAT THE SPANISH
AMBASSADOR HERE RECEIVE AUTHORITY TO SIGN THE AGREEMENT AS
SOON AS POSSIBLE. IN A BRIEF COVER LETTER TO AMBASSADOR
ROVIRA, TREASURY STATES THAT THE PROMISSORY NOTE MAY BE
SIGNED AT A LATER DATE, BUT IT IS ESSENTIAL THAT THE LOAN
AGREEMENT BE SIGNED BY SEPTEMBER 30. TREASURY IS PREPARED
TO PROCEED WITH THE FINALIZATION OF THE LOAN AT ANY MUTUALLY
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AGREEABLE TIME.

2. BEGIN TEXT: QUOTE:

SR. JUAN MANUEL DE LA FUENTE ESPERANTE; SUBDIRECTOR GENERAL
FINANCIACION EXTERIOR, MONTERA 24 6A PLANTA; MADRID, SPAIN

DEAR SR. DE LA FUENTE:

THANK YOU FOR YOUR LETTER OF JULY 4 IN RESPONSE TO MINE OF JUNE 13 ABOUT THE INTENDED LOAN OF \$120 MILLION TO FINANCE DEFENSE EXPENDITURES UNDER THE TREATY OF FRIENDSHIP AND COOPERATION BETWEEN SPAIN AND THE UNITED STATES OF AMERICA.

WITH RESPECT TO SECTION 5 (D), WE AGREE IN SUBSTANCE WITH YOUR PROPOSAL BUT REQUIRE A SHORTER WORDING. WE WILL AGREE TO AMEND SECTION 5 (D) BY ADDING THE FOLLOWING WORDS AT THE END OF THE FIRST SENTENCE: " AND IRREVOCABLY WAIVES ANY RIGHTS TO SOVEREIGN IMMUNITY TO THE FULLEST EXTENT AUTHORIZED BY OR NOT INCONSISTENT WITH SPANISH LAW, INCLUDING ARTICLE 30 OF THE BUDGET LAW OF DECEMBER 30, 1976, NUMBER 38/76."

WITH RESPECT TO SECTION 2.4, WE ALSO AGREE IN SUBSTANCE BUT WE DESIRE TO AVOID ANY UNINTENDED IMPLICATION THAT REPURCHASE IS TO BE EFFECTED AT FACE VALUE. AS YOU CAN APPRECIATE, REPURCHASE MUST REFLECT THE MARKET VALUE OF THE NOTE. WE WILL ACCORDINGLY AGREE TO REWORD THE LAST SENTENCE OF SECTION 2.4 BY DELETING THE LAST 11 WORDS AND REPLACING THEM WITH: "AT A PRICE EQUAL TO THE CURRENT MARKET VALUE OF THE NOTE, AS DETERMINED BY THE FFB."

WITH RESPECT TO SECTION 5 (C), WE ASK YOU TO UNDERSTAND THAT
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THIS IS A STANDARD CLAUSE USED IN ALL FFB LOAN AGREEMENTS AND THAT WE ARE UNABLE TO AGREE TO ANY CHANGE. AS PREVIOUSLY STATED, WE BELIEVE THERE IS ONLY A REMOTE POSSIBILITY THAT SECTION 5 (C) WOULD EVER BE CALLED INTO FORCE; AND IF IT WERE, THE GOVERNMENT OF SPAIN WOULD BE ABLE TO REPURCHASE THE NOTE UNDER THE PROVISIONS OF SECTION 2.4 IF IT FOUND ANY TAX OBLIGATION UNACCEPTABLE.

WE BELIEVE WE HAVE GIVEN THOROUGH CONSIDERATION TO YOUR PROPOSALS. WE HAVE RESOLVED 8 OF THE 11 POINTS CONTAINED IN YOUR OBSERVATIONS PAPER, AND WE HAVE AGREED IN SUBSTANCE WITH 2 OF THE REMAINING 3 POINTS. WITH THESE LAST TWO CHANGES WE HAVE REACHED OUR FINAL POSITION AND IT IS HOPED THAT YOUR GOVERNMENT CAN ACCEPT IT.

WE ARE READY TO PROCEED WITH THE FINALIZATION OF THIS LOAN AT YOUR CONVENIENCE. SINCE THERE ARE SIDE LETTERS TO BE PROVIDED WE WOULD APPRECIATE HAVING A JOINT SIGNING OF THE LOAN AGREEMENT AT THE U.S. TREASURY BUILDING. INFORMATION ON THE GUARANTY FEE AND THE AUTHORIZATION DOCUMENTS NEEDED

BY YOUR REPRESENTATIVES WERE CONTAINED IN MY LETTER OF JUNE

13.

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SINCERELY,

C.C. CROSSWHITE
NATIONAL SECURITY ADVISOR
DEPARTMENT OF TREASURY

END QUOTE.

CHRISTOPHER

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NNN

Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
Current Classification: UNCLASSIFIED
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Control Number: n/a
Copy: SINGLE
Sent Date: 26-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Enclosure: n/a
Executive Order: GS
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Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
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Review Withdrawn Fields: n/a
SAS ID: 1465778
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Status: NATIVE
Subject: 120 MILLION DOLLAR FMS LOAN AGREEMENT
TAGS: MARR, SP
To: MADRID
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vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/2dca5b52-c288-dd11-92da-001cc4696bcc
Review Markings:
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